

**Disabled Veteran Business Enterprise  
Contract Participation and Improvement Plan  
July 1, 2007—June 30, 2008**



**Fiscal Year 2007-08**

**Annual Report**

***Prepared by:***

**California Public Employees' Retirement System**

**Executive Office**

**CalPERS Business Connection**

## SUMMARY OF DISABLED VETERAN BUSINESS ENTERPRISE PARTICIPATION LEVELS

The California Public Employees' Retirement System (CalPERS) adopted the provisions of Public Contract Code § 10115 et seq. in 1990 and accordingly established an overall Disabled Veteran Business Enterprise (DVBE) contract participation level of three percent.

**Attachment 1:** The Contracting Activity Report/STD 810 summarizes the level of DVBE contract participation CalPERS achieved during Fiscal Year (FY) 2007-08. The data reflects participation using CalPERS Board of Administration reporting criteria, which includes multi-year contracts that were in force during the reporting period, but were not executed in the same period. This differs from the Department of General Services (DGS) reporting criteria, which asks for "the total value, in whole dollar amounts, of all contracts with any non-governmental entity, issued or charged during the reporting period, for each category..."

Part 1 of the Contracting Activity Report highlights CalPERS utilization of the DVBEs during FY 2007-08:

- 2.07 percent overall DVBE participation level for all contracting activity (combined volume of all goods, services, and construction activity);
- 1.85 percent DVBE participation level for the procurement of non IT goods;
- 1.04 percent DVBE participation level for the procurement of non-IT services; and
- 5.67 percent DVBE participation level for the procurement of IT goods and services.

The 2.07 percent participation level represents a decrease in overall participation for FY 2007-08 versus 2.19 percent for FY 2006-07. However, CalPERS experienced an increase in overall DVBE participation as measured in dollar amounts (\$7,555,833).

Furthermore, the totals above do not include approximately \$56.5 million dollars in DVBE participation through our Real Estate Investment Unit or external money managers. CalPERS encourages its business partners to participate in the DVBE program but because we have no direct contractual ties with the DVBEs they use, the participation is not included in our report.

Despite CalPERS proactive approach toward DVBE participation, the agency still falls short of its goal of 3 percent. The FY 2007-08 deficiency can be attributed to the following:

- Large Health Benefits-related contracts that do not lend themselves to DVBE participation. These contracts represented approximately \$62 million or 17 percent of CalPERS total FY 2007-08 expenses;
- Large Investment-related contracts that do not lend themselves to consistent use of DVBEs. Investment contracts accounted for more than \$150 million in FY 07-08.
- Legal Office contracts that are executed as zero dollar contracts with amounts determined upon request and receipt of services, where those services have been received.
- Public Affairs pool contracts executed as zero dollar contracts with amounts determined via services delivered by letter of engagement process, where those services have been delivered.

**Attachment 2:** The Std. 810 Supplemental Report indicates that a total of two contracts were awarded to DVBEs, SBs, and/or MBs based on the DVBE and SB/MB Option (pursuant to Section 14838.5 (a) and 14838.7(a) of the Government Code Public Code 10111 Section (e) (7)). The total value of those contracts was approximately \$159,200.

### INVESTMENT RELATED PARTICIPATION

As part of CalPERS effort to diversify investment strategies, the Board approved contracting with external investment management firms for management of domestic and international equities, global fixed-income securities, and alternative/private equity investments. Investment managers are not awarded set dollar contracts, but rather the investment managers are provided assets to manage. Investment managers earn a fee based on the assets they manage and depending on the market, those assets can increase or decrease.

#### ***External Money Managers***

The Standard 2 contract establishes manager compensation as a combination of base fees plus performance incentives. CalPERS Investment Office encourages external money managers to utilize certified DVBE firms for trading activity. CalPERS provides external managers with a list of certified DVBE firms and a chart denoting the instruments each firm can trade. Each DVBE has submitted documentation to CalPERS showing they are members of the National Association of Securities Dealers and the Securities Exchange Commission. They must also submit proof of ownership and certify that they are a disabled veteran-owned firm.

#### ***Real Estate Advisors/Property Managers***

**Attachment 3:** All Real Estate equity partners managing 100 percent equity-owned property for CalPERS are required to comply with the DVBE contracting

goals by awarding a percentage of their contracts at the property and corporate level to DVBE firms. Advisors report their accomplishments to CalPERS annually, a year in arrears. Property expenditures are not paid under direct contracts to their advisors/property managers and therefore the DVBE participation volumes are not part of the STD 810.

Our Real estate equity partners reported \$55,644,499 in DVBE participation for FY 2006-07, (the most current information available).

### **Internal and External Broker Commissions**

**Attachment 4:** CalPERS enters into contracts with money managers who in turn agree to make a good faith effort to use DVBE brokers to conduct a portion of their trades. These brokers do not contract with CalPERS nor are they paid by CalPERS. The brokers are paid out of the portfolio they are trading. While the contracts for the *money managers* are accounted for in the Std. 810, the broker commissions are not. Accordingly, an additional \$771,864 in DVBE participation through DVBE brokers is not included in the Std. 810 but is provided here for informational purposes.

### **CalPERS EFFORTS TO INCREASE DVBE PARTICIPATION**

Having adopted resolution 92-04B-7, CalPERS Board of Administration remains committed to establishing an aggressive and proactive outreach program that targets all who wish to do business with CalPERS, including small, micro and disabled veteran businesses. CalPERS has employed a full-time Business Liaison since November 2001 to serve as the outreach coordinator for the CalPERS Business Connection Program.

Focused efforts on increasing DVBE participation levels include:

1. Encourage eligible CalPERS vendors to become certified via DGS.
2. Collaborate with CalPERS Operations and Support Services Division to encourage our contractors and suppliers to become certified at the time of bid (prior to contract or purchase order approval dates).
3. Continue, and strengthen, an internal campaign to further promote the program and encourage CalPERS staff to use certified DVBEs for products and services currently being provided by non-certified companies, providing that products/services, pricing, distribution, and service levels are comparable.
4. Provide internal education to WeBuy coordinators, contract managers, managers and supervisors. Serve as a resource to various CalPERS divisions to enhance awareness and understanding of the Small Business/DVBE program and to promote services offered by the CalPERS Business Connection Program.

5. Work directly with certified DVBEs, including notifying them when their certification has expired and encouraging them to recertify as possible.
6. Participate in business tradeshow, conventions and events to promote CalPERS contracting opportunities (oftentimes partnering with the Department of Veteran's Affairs and/or DGS).